

January 16, 2009

Senator Hillary Clinton
476 Russell Senate Office Building,
District of Columbia 20510-3204

Dear Senator Clinton,

Congratulations on your nomination to become our next Secretary of State. As chief diplomat of the United States, you will play the key role in promoting policies that advance U.S. interests while pushing back policies and interests that not only undermine U.S. interests but make the world less safe for everyone. I want to bring something to your attention that I believe not only undermines U.S. interests but is a conduit for rogue regimes to enrich themselves and advance their dangerous agenda while receiving U.S. tax dollars—U.S. support of the U.N. Development Program (UNDP).

As you know, part of the oversight work I have been involved with as a member of the Senate Homeland Security and Governmental Affairs Committee has focused on U.S. financial involvement with the United Nations. For example, in 2005 and 2006, I chaired two hearings on the U.N. renovation plan that was found to be wasteful and mismanaged even before the U.N. broke ground on the project.

Last year, the Permanent Subcommittee on Investigations (PSI), of which I am a member, held a hearing entitled, "United Nations Development Program: a Case Study of North Korea." The hearing was based on an investigation conducted by PSI of UNDP activities in North Korea. The PSI report with the findings of the investigation is attached for your convenience. I encourage you to study it, as it is a textbook example of the inherent dangers of conducting U.S. foreign policy and foreign aid through the United Nations, which has no accountability, no transparency, and is exempt from the rule of law.

The investigation made several alarming findings. UNDP programs in North Korea suffered from serious managerial deficiencies that resulted in such things as the diversion of aid funds to enrich the North Korean regime, which in turn used UNDP to smuggle money out of North Korea to escape sanctions and enable illicit weapons manufacturing and selling. As you know, it is reported in the press that North Korean missile parts were sold to Iran as recently as last August, despite the United States' removal of North Korea from the terror list.

The U.S. is the only country that publicly took issue with this UNDP scandal that was not only documented by Chairman Carl Levin and his PSI investigators but also State Department officials working at the U.S. Mission to the U.N. Due to the publicity of the scandal, U.N. officials were pressured into closing down the illicit UNDP programs in North Korea.

The State Department, in an amazing reversal of policy, has just announced it will support the reopening of the UNDP programs in North Korea. The re-entry of UNDP into North Korea is of particular concern since there are many issues left unresolved from the investigation of UNDP and the PSI hearing.

First, access to UNDP audits remains limited and unacceptable. Under a system that the UNDP is proposing, UNDP must first approve member state access to internal audits of UNDP expenditures and country programs. If the UNDP does not approve, we cannot know how it spends our money in rogue regimes like North Korea, Iran, Syria, Burma, and Zimbabwe. Moreover, UNDP is redesigning the audits so that they will likely remove critical information from the eyes of reviewers, rendering them useless for accountability and oversight purposes. Making matters worse, if the UNDP approves access to audits, the audits may be reviewed only on the premises, which mean member states may not copy them for detailed analysis off-site.

Would-be whistleblowers at the UNDP will remain unprotected. The U.N. still has not implemented a satisfactory whistleblower protection regime that covers contract and part-time employees, many of whom fill key positions within UNDP's global and field operations. The key whistleblower who exposed the UNDP scandal in North Korea was a contract employee, and the UNDP continues its retaliation against him while not punishing any of the UNDP management most responsible for the scandal.

UNDP, in an attempt to appear like it is reforming, stated that a condition precedent for re-entering North Korea is the agreement with the regime to not use the name "UNDP" for any matter without UNDP's express authorization. However, this seems wholly inadequate in terms of ensuring that future misconduct is not perpetrated by the regime through its affiliation with UNDP. This approach is tantamount to asserting that had UNDP instructed the DPRK not to launder money and channel funds to weapons programs, it would have complied.

Finally, UNDP has not reformed its contractor vetting processes which is a huge opportunity for permitting more illicit behavior to take place within its programs. For example, during the course of my own investigation, it was discovered that the UNDP helped procure at least a hundred dual-use technologies and capabilities that are easily converted into military and WMD uses. This was confirmed by the U.N.'s own investigative report on this scandal.

I believe there is a high likelihood that the scandal will be repeated in North Korea as it appears to be taking place, according to press reports and UNDP whistleblowers, in UNDP programs located in Burma, Zimbabwe, Iran, and Venezuela. Given the UNDP's lack of transparency and accountability, we will never know for sure unless another UNDP staff member risks his personal welfare and again blows the whistle on UNDP management.

There is no indication that the regime in North Korea will abide by the revised terms of its agreement with UNDP any more than it abided by the terms of the previous agreement. The regime remains a manipulative, nuclear armed rogue state that is starved for outside funds. And there is no indication that the UNDP, whose executive board is now chaired by Iran, will make legitimate reforms in all its programs to ensure U.S. taxpayers are not inadvertently financing missile sales in North Korea, genocide in Burma, or nuclear programs in Iran through UNDP programs that enrich these rogue regimes.

In light of the gravity of this policy reversal at the State Department, I am requesting you answer the following questions in writing, prior to the final vote in the Senate on your nomination to be the next Secretary of State:

1. Reports from the State Department indicate that Ambassador Chris Hill has taken over State Department policy as it pertains to the UNDP and is responsible for the recent decision by the State Department to reverse course and no longer require the UNDP to enact legitimate reforms before reopening its North Korean programs. This suggests the current State Department policy with North Korea is to use aid programs with no fiscal or management controls that directly enrich the regime as a *quid pro quo* for denuclearization.
 - a. Since we have documented that these types of bilateral and multilateral aid programs, left unaccountable, indisputably enrich the regimes where they operate, wouldn't you agree that giving into this nuclear extortion ultimately undermines U.S. national security interests?
 - b. Will you commit to protecting the U.S. taxpayer from further enrichment of rogue and terror-sponsoring regimes that host UNDP programs and only permit U.S. funding to go to the UNDP after the following takes place:
 - i. publicly posting on the internet the past 5 years worth of UNDP line-item budgets, audits, and program reviews for each UNDP program;
 - ii. posting all new documents of this sort within 2 weeks of completion; and
 - iii. providing unfettered access to the U.S. Government Accountability Office to conduct an audit and investigation of the past 5 years of UNDP activity

in North Korea, Burma, Zimbabwe, Syria and Iran and publicly report to Congress its findings as it pertains to

1. fiscal and management controls;
 2. hiring practices,
 3. compliance with international accounting standards and Financial Action Task Force recommendations¹;
 4. compliance with U.S. export controls for WMD or dual-use capabilities;
 5. compliance with U.N. guidelines, procurement rules, and Security Council resolutions; and
 6. whether or not UNDP programs produce independently documented and measurable results?
2. With the resignation of UNDP Administrator Kemal Dervis, shouldn't the U.S. reject Ad Melkert, the current UNDP Associate Administrator, as his replacement given the fact that Mr. Melkert undermined U.S. efforts to make UNDP audits freely available to members of the UNDP Executive Board, let alone the general public? Will you commit to doing so?
3. Iran is a financial supporter of terrorists, is under U.S. and U.N. sanctions, and has violated five Security Council resolutions demanding that it stop enriching uranium. Some U.N. experts describe the UNDP as a rogue procurement department for rogue regimes, and the Senate investigation of UNDP supports this description.
- a. Given that the UNDP operates programs in terror-sponsoring Iran, shouldn't the U.S. withhold all its fungible financial support from the UNDP until it provides public access to audits and other program documents, and we can independently verify whether U.S. funds to the UNDP and the dual-use exports the UNDP ships to Iran are diverted by Iran to support the terrorists killing U.S. and Iraqi troops on the battlefields of Iraq and Afghanistan or supporting nuclear, biological, and chemical weapons programs in Iran?
 - b. Will you commit to this common sense policy?
4. Several U.N. programs, such as the UNDP, utilize a method of funding called "national execution" where the U.N. redistributes funds directly into the central banks of countries

¹ "Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations," Financial Action Task Force, October 2008 - <http://tinyurl.com/98muha>

where the U.N. works. While the U.N. claims this is to build “capacity” of these countries to perform their own development programs, as in the case of North Korea and Burma, the U.N. has no fiscal controls in place to verify the funds are used as intended. And since money is fungible, there are no guarantees the transferred funds will not pay for things such as the genocide in Burma or the concentration camps of North Korea. For example, the Senate Permanent Subcommittee on Investigations reports the UNDP, while claiming to be transferring economic development money to North Korea, ended up transferring funds to the state-controlled entity that finances the regimes illicit weapons sales—sales which reportedly continue even as recently as August of 2008.²

The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the promotion of national and international policies to combat money laundering and terrorist financing. FATF has a list of 40 recommendations and 9 special recommendations it uses to test whether financial institutions are taking necessary precautions to avoid terror financing, money-laundering and other illicit activities.

- a. Will you commit to protecting the U.S. taxpayer from inadvertently funding such things as genocide in Burma or weapon sales to terrorists by North Korea by prohibiting U.S. funds from going to any U.N. System entity or other foreign development organization that transfers funds to banks within states that are not certified by FATF?
5. The Federal Funding Accountability and Transparency Act (FFATA), coauthored by President-elect Obama, requires all federal funding to be put on the public website, USAspending.gov. This includes all contract, subcontract, grant, and subgrant data such as the amount of award, source of funds, and the intended purpose of the funds.

Despite this law, the State Department has failed to comply by not listing all its contributions to entities within the U.N. system, such as the U.N. Development Program, UNICEF, or UNESCO. Other U.S. agencies that transfer U.S. funds to U.N. entities—such as the Departments of Agriculture, Commerce, Defense, Treasury, Interior, Energy, and Education—have either ignored FFATA or only have submitted partial information for their U.N. funding.

- a. Shouldn't the U.S. taxpayers know where their money is going at the U.N., and if you are confirmed as Secretary of State, what will you do to ensure compliance at the State Department and other U.S. agencies with the FFATA and reporting U.S.

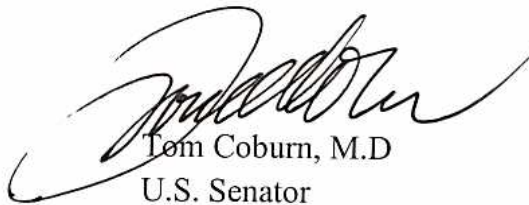
² "UNDP: A Case Study of North Korea," Senate Permanent Subcommittee on Investigations, January 23, 2008 - <http://tinyurl.com/8w9et4>; Hosenball, Mark and Christian Caryl, "The Flight That wasn't," *Newsweek*, December 1, 2008.

contributions to all U.N. system entities and subgrant information for each U.N. system entity?

- b. Given that this law is such a high priority for President-elect Obama who co-wrote it with me, would you support withholding U.S. funding to the U.N. or any other grantee or subgrantee of the State Department until it complies with U.S. law as found in the FFATA?

I know that President-elect Obama would like to see his team in place sooner rather than later, so I would request that you take the time to respond to my questions in writing and prior to the final vote in the Senate on your nomination. Thank you for your time and attention to this important matter.

Sincerely,



Tom Coburn, M.D
U.S. Senator